

U.S. BUSINESS OPPORTUNITY

RIO GRANDE DO SUL AIRPORTS DEVELOPMENT PROGRAM

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Agencies across the U.S. government are partnering to help U.S. companies connect with buyers worldwide. Through a variety of resources, federal agencies can provide U.S. firms with the information and tools they need to compete for foreign contracts. From trade advocacy and export promotion efforts to matchmaker services and promoting the availability of export credits, federal agencies can support U.S. companies in selling their goods and services to the 95% of the world's consumers, who are located outside of the United States, by helping to create opportunities and to level the playing field.

For more information on this project, possible financing options and export opportunities in Brazil, contact:

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Overview

The U.S. Trade and Development Agency (USTDA) has provided a grant in the amount of \$630,000 to the Rio Grande do Sul State Secretariat of Infrastructure and Logistics (SEINFRA). USTDA will fund the costs of a Technical Assistance (TA) for the proposed Rio Grande do Sul Airports Development Program Project in Brazil.

Project Description

Rio Grande do Sul is Brazil's fourth largest regional economy in terms of GDP. Between 1999 and 2007, passenger traffic increased by almost 50% from 2.8 million to 4.2 million passengers per year. Considering the need to increase access to isolated parts of the state, SEINFRA established an airport development program in 2003 for the modernization of air transport in the state, focusing on increased regional connectivity, particularly for emergency response as well as promoting tourism and trade. The state airport development program has also expanded to include the upgrade of air infrastructure to support increased demand that will result from the 2014 World Cup in Brazil.

The modernization plan will address a series of much-needed investments, including runway pavement, air navigation equipment, emergency response and security equipment. The program covers 27 of the 52 existing airports in the state and considers the construction of 10 new airports for a total investment of approximately \$120 million. The result of the TA will be a technical and financial investment plan for the state airport network expansion and modernization.

The Technical Assistance will:

- Develop an airport improvement program for the 27 existing airports and evaluate the construction of 10 new airports based on projected demand and the economic activities of the region
- Assess the viability of developing four key airports as a means of fostering multimodality in the state

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- Assess the need for a new cargo facility
- Provide SEINFRA with technical advice regarding the program's objectives, vision, implementation, schedule and action plan
- Assess the financial viability of the program considering potential financing sources, including private sector participation
- Develop technical specifications for air navigation equipment
- Respond to increased demand resulting from the 2014 World Cup

Status and Implementation

As a means of establishing clear goals for airport infrastructure development, SEINFRA created the PROAR/RS program, a ten-year airport modernization plan for the period 2009-2019. PROAR/RS considers a series of investments ranging from runway pavement to instrument equipage to allow for night operations. Other areas that are of importance to SEINFRA include emergency response equipment and security. The program covers 27 existing airports and considers the construction of new facilities throughout the state for a total investment of \$120 million.

The Technical Assistance for the Rio Grande Do Sul Airports Development Plan is part of the PROAR/RS program. The TA plan will serve as a roadmap for development of the regional airport system for the next 10 years and provide technical consultations to the Department of Airports. The TA is currently being performed by T.Y. Lin International.

Project Cost and Financing

The anticipated cost for the total PROAR/RS program is estimated at \$120 million. Possible funding sources include the Federal Aid Program for Airports, EMAER-32 and the Contribution for Intervention in the Economic Domain (CIDE). SEINFRA has requested that this study consider the use of privatization, concession and Public-Private Partnerships (PPPs) as means of engaging the private sector in airport infrastructure modernization. SEINFRA and the Department of Airports (DAP) have been working closely with SEPLAG's PPP and Funding Office and are interested in assessing the level of interest of private sector financiers.

U.S. Competitiveness and Export Potential

U.S. export potential for this project will include procurement of technologies and equipment as identified by the Technical Assistance. One of the issues of interest is ensuring that a good portion of the existing facilities have adequate navigation equipment and are able to operate at night. At this time, it is anticipated that at least seven airports require new navigation equipment. These improvements alone could exceed \$20 million in exports.

Thought was also given to equipment required for the ten new airports being considered at this time, including a new cargo terminal. The exports considered cover the ten year period of the PROAR program and it is expected that total program costs will exceed \$110 million with a total potential for U.S. exports of over \$82 million.